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ARGENTINA-UK: Disappointing Diplomatic Progress

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Buenos Aires is encountering difficulty in gaining diplomatic backing for its position in the crisis.//

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Prime Minister Thatcher indicated yesterday that the British considered the South Georgias a separate possession from the Falkland Islands. Few, if any, Argentine forces are believed to be on the South Georgia Islands. British forces probably could occupy them at any time, but London may be awaiting the results of the latest negotiations before deciding to act.//

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British Domestic Support

//London moved yesterday to brace the public for the possible outbreak of fighting. The announcement of the increased readiness of the task force and Thatcher's visit to the naval command center emphasized the government's preparedness for military action. Recent polls have shown increased public approval of the government's performance in the crisis as well as improved Tory standing in relation to other parties.//

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Comment: //The moves yesterday probably will reinforce the government's position. Unless there is a breakthrough in negotiations, however, Thatcher will be expected to follow through by taking South Georgia or by extending control of the approaches to the Falklands within several days.//

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IRAN-IRAQ: Impending Iranian Offensive

Iran is continuing preparations for a large-scale attack against the Iraqi salient west of Ahvaz.

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Comment: //The Iranians almost certainly will launch widely separated attacks over several days as they did so successfully at Dezful last month. Thrusts west of Hoveyzeh and near Ahvaz may be made to draw off Iraqi reinforcements, but the main attack probably will be launched across the Karun River to capture sections of the Ahvaz-Khorramshahr road and threaten Iraqi supply routes farther west.//

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//The Iraqis probably will suffer a major defeat similar to the one at Dezful unless they determine the focus of the impending attack. The single Iraqi infantry division guarding the road is a new unit and is likely to collapse early in the fighting, forcing Iraqi units farther north to pull back.//

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Iraq still hopes to outlast Iran by remaining on the defensive, pursuing additional austerity measures, and continuing to lobby for a mediated peace. Another resounding military setback, however, would increase domestic anxiety over the war and weaken President Saddam Hussein's political position.

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NIGERIA: Difficult Economic Decisions

//President Shagari is relying on emergency powers to cope with problems resulting from sharply reduced oil revenues

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Earlier this week Shagari announced import restrictions, deferred major development projects not yet begun, tightened antismuggling measures, and moved to restrict borrowing by the states. He also withdrew the recently passed budget because revenue projections were based on larger oil sales. Although Shagari hopes to cut spending by one-third, he avoided committing himself to devaluation and other stronger measures that would risk alienating voters in this preelection year.

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Comment: Nigeria's oil production now appears steady at 900,000 barrels per day but could drop again next month, unless other OPEC members persuade the oil companies to maintain purchases or Lagos resorts to substantial spot sales. The inefficient Nigerian bureaucracy may fail to enforce the austerity measures, and Shagari may have to take more painful action later.

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USSR: Chernenko Modifies Reformist Stance

The TASS summary of party Secretary Chernenko's article in the most recent issue of the party theoretical journal indicates that he has attacked "pluralism" and "harebrained" schemes to develop socialism in ways outside of Communist tradition. Chernenko, in effect, stresses the need for foreign Communist parties to follow Soviet practice in building socialism--essentially the line most closely associated with former party Secretary Suslov.

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Comment: This shift in emphasis suggests that Chernenko sees a need to disassociate himself from some of his earlier unorthodox views, in order to become more acceptable to other leaders as a possible successor to President Brezhnev. Chernenko previously had advocated more innovation in dealing with social problems, increased responsiveness by the party to public opinion, and greater "Democracy" inside the party. In his writings on the world Communist movement, he had implied that the greatest danger faced by any party was loss of contact with the masses, rather than the erosion of ideological foundations or departure from Soviet experience. These themes are either played down or omitted from his current article.

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USSR - WEST GERMANY: Criticism of Schmidt

TASS is criticizing Chancellor Schmidt's remarks this week on SALT II, INF, and the Soviet arms buildup, but is partially balancing this by acknowledging his support for East-West cooperation and for a US-Soviet summit.

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Comment: Schmidt's charges that SALT II is an unequal treaty and that the Soviets are building their armed strength unilaterally were not allowed to go unchallenged because they might lend credibility to accusations that Moscow seeks nuclear superiority in Europe and an overall strategic advantage. While recognizing Schmidt's commitment to detente, the Soviets are warning him that good political relations with the USSR will be jeopardized if he publicly supports the US position on INF.

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POLAND: Students Plan Strike

Student activists at Warsaw University have called for a 15-minute strike in the corridors of university buildings on Monday to protest the preemptory firing two weeks ago of the university's popular and liberal rector. The faculty senate passed a resolution on Thursday condemning the firing in hopes of preventing protests. The military commissar for higher education threatened after a short student demonstration last week to close parts of the university if more disturbances occurred.

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Comment: The universities are proving to be particularly troublesome for the regime because of student disillusionment and activism and because university faculties are trying to protect some of the increased autonomy they won before the introduction of martial law. To avoid an incident, the authorities probably will not use force to prevent or interrupt a strike. Instead, they could demonstrate their resolve by closing the university briefly or expelling some students.

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INTERNATIONAL: Law of the Sea Conference

The UN Law of the Sea Conference reached a crucial point yesterday when the chairman formally declared that all efforts to reach general agreement had failed. He was supported by the coordinator of the Group of 77 caucus and by the British delegation, while the French, West German, Japanese, and US delegations disagreed. Under conference rules, the chairman's announcement will lead to a vote on amendments to the draft text that were proposed earlier in the session, with a two-thirds majority required for passage. To preserve what chance remains for the emergence of a final draft that all major blocs can support, the chairman is urging the sponsors of contentious amendments to withdraw them.

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Comment. This development reduces the likelihood that the conference will support a treaty that the US can accept. Most of the changes sought by the US are opposed by the G-77 delegations, which constitute more than a two-thirds majority. A last-minute compromise, however, is still possible, and many delegations probably hope that the US can be brought on board.

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WESTERN EUROPE: Demand for Gas Weakens

West European gas consumption continued to fall in 1981 to a level 7 percent below the peak in 1979. Most of the drop occurred in industry and electrical utilities mainly as a result of sluggish economic performance and the doubling of gas prices since 1978.

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Comment: Retail prices will continue to rise, partly because of existing contract provisions and partly because the dwindling supplies of low-cost domestic gas are being replaced by gas from more expensive European sources and by gas imported from Algeria and the USSR. Both private and official analysts are reducing their forecasts of demand in 1990, causing several countries to scale down their plans to buy Soviet gas. Nevertheless, many West European governments probably are still overestimating their future gas requirements.

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KAMPUCHEA-THAILAND: Refugees Flee Fighting

Recent Vietnamese attacks on Kampuchean resistance camps have caused some 10,000 civilians to seek refuge in Thailand, where about half still remain. Thousands of other Kampucheans from the interior fear for their safety or are searching for family members and continue to arrive at the border despite temporarily improved food supplies following the recent harvest. Roughly 200,000 refugees live along the border, and the recent influx is placing a heavy burden on relief facilities.

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Comment: A Vietnamese attack planned against resistance camps in the few weeks remaining in the dry season could drive large numbers of Kampucheans near the border into Thailand. There will be rice shortages in Kampuchea by midsummer, and current foreign aid commitments will not meet the need.

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VIETNAM: Cabinet Changes

Hanoi yesterday made extensive changes in the composition of the Council of Ministers and the State Planning Commission, the two government bodies most concerned with the economy. New officials appointed include Tran Pyuong, the major drafter of the 1981-85 State Economic Plan, and two second-echelon Politburo members with good managerial reputations. The changes did not affect the status of the top party leaders.

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Comment: The shakeup reflects the leadership's continued frustration over its inability to ameliorate economic problems and its desire to bring more competent individuals into major policy areas. Unless these personnel changes are accompanied by fundamental economic reform--which is unlikely--their impact on economic performance probably will be minimal.

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SPECIAL ANALYSIS

ARGENTINA: The Nuclear Program and the Crisis

//The Falkland Islands crisis is raising security issues for Buenos Aires that could influence Argentine attitudes toward the development of nuclear technology. The commercial nuclear power program could be delayed by a prolonged ban on all exports to Argentina. A major reverse for Argentina in the dispute could persuade it to proceed to build nuclear weapons.//

//A military or diplomatic victory in the Falklands could reduce the pressure on the government to develop nuclear weapons. Advocates of caution would emphasize that success in the Falklands was enough and that a conspicuous nuclear weapons program could start a nuclear arms race with Brazil. They would be content to have a nuclear weapons potential rather than an active weapons program.//

Implications of a Defeat

//A reverse in the Falklands at a minimum would prompt a review of security policies. The embargo by most arms suppliers on the delivery of conventional weapons has already underscored the risks of dependence on foreign supplies. It has almost certainly reinforced the belief among many Argentine officers that nuclear weapons are needed.//

//A humiliation in the Falklands probably would encourage the conclusion that the possession of nuclear weapons--or merely the foreign belief that Argentina had such weapons--might have made the UK more accommodating. Many Argentines at a minimum would want nuclear weapons to help their country recover prestige and national self-respect.//

//The nuclear program is sufficiently advanced that even a severe economic recession following defeat would

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have little impact on the ability of the Argentines to make a few nuclear weapons. These considerations would apply under either a military or a civilian government.//

Building a Weapon

//Argentina now has almost all nuclear fuel cycle facilities needed to produce fissionable material for a nuclear device. A decision now to proceed could result in a detonation as early as 1984. This would require violating international safeguards.//

//The only source of significant amounts of plutonium is the spent fuel from the nuclear power reactor at Atucha. The Argentines could divert this material for weapons use if they were prepared to risk an international outcry.

Neighbors Worried

lieve that the Argentines have already diverted nuclear material from the Atucha reactor to weapons purposes, there is no evidence yet of a safeguards violation. Senior officials in both countries are becoming increasingly concerned about the advanced stage of the potential for proliferation there, especially if the British embarrass the Argentines militarily.//

//Despite public support for Buenos Aires's claims to the Falklands, Argentina's bold action probably will further encourage efforts by Santiago and Brasilia to strengthen their own defenses. This could increase interest in nuclear weapons, particularly in Brazil. Like the Argentines, the Brazilians have carefully preserved this option over the years under the guise of the legal right to conduct peaceful nuclear explosions.//

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